

Public Hearing – February 21, 2019
Energy and Technology Committee

Testimony Submitted by Commissioner Katie S. Dykes

H.B. No. 6242 – AN ACT PROHIBITING SURCHARGES FROM BEING LEVIED ON UTILITY CUSTOMERS TO SUBSIDIZE INTERSTATE NATURAL GAS PIPELINE CAPACITY

Thank you for the opportunity to present testimony regarding H.B. No. 6242 – An Act Prohibiting Surcharges from Being levied on Utility Customers to Subsidize Interstate Natural Gas Pipeline Capacity.

The Department of Energy and Environmental Protection (DEEP) welcomes the opportunity to offer the following testimony. This proposal would prohibit surcharges from being levied on utility customers to subsidize the cost of interstate natural gas pipeline capacity. While DEEP is sensitive to ratepayer impacts of statewide policy decisions, we are concerned that this bill may create unintended consequences with existing or future contracts for gas pipelines to serve firm gas customers of the local natural gas distribution companies. Additionally, it is highly unlikely that Connecticut will utilize 16a-3j to expand interstate natural gas pipeline capacity for the benefit of electric customers in the foreseeable future.

With the enactment of Public Act 98-28 in 1998, Connecticut joined four other New England states in choosing to rely on a competitive wholesale market governed by FERC and the ISO-NE for its electricity supply. Since that time the ISO-NE wholesale market design has produced merchant power generator investment primarily in natural gas-fired power plants—now the source of over half of the region’s electricity production. The ISO-NE market design has not incentivized those same merchant gas generators to invest in the natural gas delivery infrastructure (such as interstate pipelines) to ensure that pipeline gas-fired power plants can run reliably year-round, particularly during periods of prolonged winter cold when existing pipelines are fully subscribed to serve gas utility customers. This “winter reliability” situation has exposed New England to unique reliability risks and electricity price spikes.

While the ISO-NE, its stakeholders, and the New England states have debated about the issue for more than a decade, no solutions have been forthcoming. In 2014, the New England Governors committed to an infrastructure initiative to support regional investment in natural gas infrastructure and non-gas resources such as hydropower to alleviate the winter reliability problem. Connecticut DEEP’s 2014 Integrated Resources Plan (IRP) recommended a variety of resource strategies that could address Connecticut’s share of the problem, including new renewable energy, energy efficiency, energy storage, and natural gas infrastructure. This resulted in the enactment of Public Act 15-107 (codified at 16a-3j of the General Statutes), which authorizes DEEP to procure any of those listed resources. DEEP utilized this authority in 2016 to procure clean energy resources that met over 4% of the state’s electric load to help address winter reliability issues.

Importantly, the authority to purchase natural gas pipeline capacity under 16a-3j is conditioned by the requirement in the statute that such purchases must be in the “best interest of electric ratepayers.” The fact that a large portion of the region’s electric demand is represented by a jurisdiction that does not have the authority to purchase such capacity necessarily means that Connecticut’s share of the costs of any hypothetical capacity purchase would very likely dwarf our share of the regional benefits of such a purchase. This fact makes it highly unlikely that Connecticut will utilize 16a-3j to expand interstate natural gas pipeline capacity for the benefit of electric customers in the foreseeable future.

The ISO-NE’s recent *Operational Fuel Security Analysis*, released in 2017, confirms that the regional winter reliability problem persists. It points to the emergence of new types of non-gas renewable resources with high capacity factors, such as offshore wind, as having the potential to ameliorate the winter reliability challenge when those facilities come online. It also points to the further reliability risks the region would face if the two remaining nuclear units in New England were to retire, exacerbating the region’s reliance on gas-fired generation. At the same time, evidence of accelerating climate change underscores the need to transition sooner from natural gas generation to zero-carbon and renewable power sources that are not reliant on natural gas pipeline infrastructure.

DEEP looks forward to engaging stakeholders in the 2019 Integrated Resources Plan (IRP) process on the strategies available to ensure a reliable grid while speeding the transition to a decarbonized electric grid. In the meantime, while that analysis and discussion is underway, DEEP opposes proposals that would eliminate the existing procurement authority available to address regional winter reliability problems. Moreover, as discussed above, DEEP believes that elimination of this authority is unnecessary, because the “best interest of ratepayers” standard makes the use of such authority unlikely while the 2019 IRP is in development.

To the extent that the intent of this bill could be read to extend beyond section 16-3j of the general statutes, there may be unintended consequences with existing or future contracts for gas pipelines to serve firm gas customers of the local natural gas distribution companies. DEEP does not address those consequences here, but would welcome the opportunity to discuss further with the Committee if the proposal is intended to address such contracts.

In sum, DEEP has concerns about H.B. No. 6242 – An Act Prohibiting Surcharges from Being levied on Utility Customers to Subsidize Interstate Natural Gas Pipeline Capacity and would welcome further discussion.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Mandi Careathers, DEEP’s Legislative Liaison, at Mandi.Careathers@ct.gov.